GREEN BANKING PRACTICES IN INDIA DURING COVID-19

G. SRIVIDYA, Research Scholar,
Department of Business Management,
Sri Padmavati Mahila Visvavidyalayam, Tirupati, Andhra Pradesh, INDIA
ORCID: 0000-0002-8306-3589

B. VIJAYALAKSHMI, Professor,
Sri Padmavati Mahila Visvavidyalayam, Tirupati, Andhra Pradesh, INDIA
ORCID: 0000-0003-2036-0284

ABSTRACT

Concern for the environment has established a lot of attention in this contemporary state of globalization. Global warming is also becoming a nationwide as well as universal problem, it hampers on ending the natural resources. For the reducing of global warming problem there must be attention on eco-friendly initiatives by all of us. (Dr.GobindaDeka, 2020) Most of the nations have been taking belligerent actions to tackle global warming and climate change. Green banking is making technological improvements, operational improvements and changing client habits with efficient and effective use of computers, printers and servers to optimize the use of energy and less usage of paper. Green banking practices helps in encouraging environment-friendly practices and dropping carbon footprint from routine banking activities. Directly & Indirectly these green banking practices helps in encountering carbon foot print, global warming, climate change, fickle weather, floods, droughts, pollution, high greenhouse gas emissions, etc., by environmentally sustainable and socially responsible investments. This paper is an attempt to study the impact of COVID-19 on banking sector in India. Moreover, an effort is made to study the pivotal role of green banking practices during COVID-19 times.

Keywords	green banking, global warming, eco-friendly practices
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INTRODUCTION

These days, the mode we are thoughtlessly consuming resources on earth, the question arises what we will leave for the upcoming generation (Chanduji & Thakor, 2020). In satisfying our needs, we are unfavorably utilizing the natural resources and freeing lot of wastes and contamination into the environment, which is resulting in natural disasters. If human beings' lifestyle is not going to change, it leads to severe manmade disasters like mainly global warming etc., which are disturbs not only the present generation but also the coming generation.

Global warming is one of the serious aspects to be focussed on by all. (TOI, 2021) This term is used to label the upsurge in global surface temperatures. The term is frequently used interchangeably with 'climate change.' This has, in turn, directed to the liberal shrinkage of the glaciers and polar ice caps, resulting in an upsurge in sea level. One more observed effect has been the distraction of cyclical weather forms and the rising number of fluke natural disasters. The escalation in temperatures has been credited to the build-up of greenhouse gases, such as carbon dioxide and methane, at expressly accelerated levels due to the industrialization of the previous 100 years. A rigorous global effort to counter and alleviate the effects of this marvel has been elusive, with settled nations and developing nations facing off over the respective heights of emission cuts they would have to affect natively. From this paper, I would like to request all the readers to save nature for the present generation and future generations. This paper is also an attempt to bring into the readers notice that the position of our nature.

So, the thought of sustainable development is taking care of the need of the existing generation without conciliatory the needs of the upcoming generation. (Kaimal & Sajoy, 2020) It gives rise to green marketing and then to green banking (K.V & Sudhakar, 2017). It is all about fulfilling wants and looking for a sense of balance among people, the environment, and the economy.

Green Finance or Green Banking refers to diverse financial services and products provided by financial institutions for sustainable development (Asifpervej, 2020) (UNEP FI, 2007).

Green Banking is a Corporate Social Responsibility action to make the society liveable without any extensive harm to the environment. It is needed for the sustainable development of the country. It is dissimilar from traditional banking. It is also called an ethical and sustainable bank that deliberates all the social and environmental factors to protect the environment and save natural resources. Academic interests in this notion have been on the increase since 2011.

Economic activity has begun making an uncertain and irregular recovery from the unique steep waning in the revive of the COVID-19 pandemic. COVID-19 is also one of the human-made disasters. In this state, an approach using a dynamic stochastic general equilibrium (DSGE) model built on New Keynesian foundations offers an unsure and immediate valuation of the likely result of COVID-19 and the consequent lockdown on the Indian economy. COVID-19 and the lockdown can impact the economy through multiple channels.

"The environment and the economy are really both two sides of the same coin. If we cannot sustain the environment, we cannot sustain ourselves". - Wangari Maathai

LITERATURE REVIEW

(Ramasamy, 2020) discussed various factors such as lockdown approach, moratorium, different impacts in banking, financial services, and insurance sector. Further, we have given some recommendations to mitigate the situation so that the financial services can continue with less negative impact, which will help for better services to the customer and minimal revenue loss to the financial organizations.

(Asifpervej, 2020) are aimed to demonstrate an impact of pandemic COVID-19 on the banking and financial sector. India's coronavirus outbreak threatens a years-long clean-up of its financial system, according to the Indian bank. Banks sit at the heart of the economy and provide funding to corporate and individuals. Their stability is crucial to keep the system up and to run.

(Chanduji & Thakor, 2020) discussed Two implications follow for the future of banking. First, banks will operate in a financial system that is awash with liquidity, and interest rates are extremely low. Second, the government will be a key player in the financial sector, both as a borrower (to fund its deficit) and as a "risk absorber" providing guarantees, back-stops, and more direct fiscal support for borrowers whose businesses and cash flows bear the brunt of the virus. This means that banks will prefer to give loans to borrowers whose cash flows are visible and strong while avoiding borrowers whose cash flows and incomes run the risk of being disrupted. A thumb rule that banks often follow is that size matters. Bigger companies, on average, are less likely to default than smaller ones, and the flight to quality could translate into flight to size. The banking sector's health depends on how soon the economy recovers. All eyes are now on the government's upcoming fiscal stimulus package.

(Lelissa, 2020) discussed the study employed the input-output framework. It has used ten years of historical data from 2010 to 2019 of the aggregate private commercial banks to explore trends and examine the effect of the pandemic on the past critical success factors.5 The result shows that the pandemic affects both the balance sheet and income statement of banks. The effect is shadowed during the current year due to a good performance record all through pre COVID period. The study identified an immediate liquidity need of around Birr 17 billion to private banks so that they can comfortably meet the NBE's liquidity requirement.

(BipashaBarua & Suborna, 2020) his paper utilizes Bangladesh as a case study of an emerging economy and examines the possible impacts of the pandemic on the country's banking sector. Using a state-designed stress testing model, the paper estimates the impacts of the COVID-19 pandemic on three particular dimensions—firm value, capital adequacy, and interest income— under different NPL shock scenarios. Findings suggest that all banks are likely to see a fall in risk-weighted asset values, capital adequacy ratios, and interest income at the individual bank and sectoral levels. The paper offers lessons for other developing and emerging economies similar to Bangladesh.

Bahl, Sarita (2012), conducted an empirical study on "Green Banking – The new strategic imperative" tried to find out the most significant strategies while going ahead with green banking by using Garrett's ranking technique. The researcher found that Carbon footprint reduction by Green building had been given top priority in green banking strategies, and green banking financial products have also been given due weightage. However, Paperless banking and using mass transportation systems have been rated low as green banking strategies (Lelissa, 2020).

Jha and Bhome (2013), conduct a similar survey as stated above to check and thereby create consumer awareness on Green Banking. Conducting interviews and using specially structured questionnaires for the survey they state certain steps needed in Green Banking. Online Banking, Green Checking Accounts (ATM, Special Touch Screens), Green loans (low rate to those who wish to buy solar equipment) for supporting environment-friendly residential projects, power-saving equipment, Green Credit Cards, Paper Saving Mobile Banking are among few steps suggested by them. Green Banking will ensure an organization's move towards sustainability (BipashaBarua & Suborna, 2020).

Jaggi (2014), studies the initiative by SBI and ICICI on Green Banking. SBI has introduced a Green Channel Counter, no queue banking, enhanced commitment towards achieving carbon neutrality, online money transfer, wind farms. Green Products and Services initiative of ICICI Bank includes insta banking (anytime, anywhere), vehicle finance, and home finance. Moreover, these banks have taken other steps for energy conservation like duplexing (two side printing), recycling, CFLs, carpool etc (BipashaBarua & Suborna, 2020).

(Sahoo et. al., 2016) The present study test for the usage of green banking habits among various age groups. The present study finds that the young generation is more inclined towards green banking products than middle age and senior age groups (above 60 years). The mean score of usage of green banking products among the low age group (15-30) is 26.50, whereas it is just 15 for individuals age above 60. Therefore, the present study finds that there is more of a need to create awareness about green banking product adoption among the middle and senior age groups of individuals than young age people.

(Girmakar & Sudharshan, 2018) reports, this study finds that there is more of a need to create awareness about green banking products acceptance amongst the middle and senior age groups individuals than young age people. Banks need to apply morality of sustainability and responsibility to their business model, strategy, and formulation for products and services, operations, and financing actions and become tougher. By adopting the environmental factors in their lending activities, banks can recover the return from their investments and make the polluting industries become environment friendly.

(Dr.GobindaDeka, 2020) reports, the researcher stated that the major obstacle in Green Banking is the technical issues involved, followed by lack of education. The Paper concluded that green banking clearly has a direct and positive impact on sustainability. The common people are yet to come forward to adhere to these practices due to a lack of awareness. Therefore, banks must make their customers literate about the using procedures of green banking practices and adopt all strategies to save the Earth.

STATEMENT OF THE PROBLEM

From the above-mentioned reviews, it is clear that there are a smaller number of research papers on the impact of COVID-19 on the Indian banking sector and the role of green banking practices in India during COVID-19. So, this study attempts to fill the gap that will be useful for researchers and other readers in the future.

OBJECTIVES OF THE STUDY

- To elicit the role of Green banking practices in banks during COVID-19 in India.
- To highlight the impact of the pandemic on the banking sector in India.

RESEARCH METHODOLOGY

In order to achieve the above objectives, the study is based upon secondary sources like available literature, reports, and data that have been used. The data has been obtained from various journals, RBI reports, magazines, and websites.

GREEN BANKING

According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure, and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment. They had introduced green rating standards for Indian banks, which are termed as 'Green Coin Ratings'. Under this rating system, banks are judged on the basis of carbon emissions from their operations and on the amount of recycling, refurbishment, and reuse material being used in their building furnishings and in the systems used by them like servers, computers, printers, networks, etc. They are also being judged on the amount of green projects finance by them, and rewards or recognitions were given to borrowers for turning their businesses greener (Asifpervej, 2020).

Green banking is a stratagem to address sustainable development and instruct people concerning green banking practices. Still, many of them are intense to actively follow this strategy. Because, to uphold productive harmony between man and nature is to justify the economic and social welfare of the present and future generations (Asifpervej, 2020).

(K.V & Sudhakar, 2017)reports, (Wikipedia, 2021)Banks should take into thought the ecological aspect in lending apart from security and profitability. Various international protocols such as UNEPFI, Equator Principles, and LEED certificates have been issued in order to enable green banking, but Indian banks are still lagging behind. Indian banks have to adopt global environmental and social guidelines at the time of project finance which is known as 'Equator Principles'. Till 2020 year 94 financial institutions of the world have implemented these principles.

GREEN BANKING PRODUCTS/PRACTICES AND ITS ROLE DURING COVID-19

Green banking supports solving environmental problems like climate change, deforestation, air pollution issues, biodiversity loss, and the most important one is global warming. By providing services in the hands of the customers is indirectly saving nature. Some of the Green banking practices include:

1.Green mortgages 2. Green loans 3. Green credit cards 4. Green saving account 5. Online banking 6. Remote Deposit Capture 7. Green Car Loans 8. Solar ATMs 9. Green channel counters 10. Green certificate of deposits 11. E-Investment services 12. Bonds and mutual funds for environmentally friendly projects 13. Recyclable debit & credit cards 14. Green checking account 15. Green CDs 16. Green money market 17. Mobile banking (N.V.Kavitha, 2016).

Green banking practices are playing a pivotal in everyone's life, mainly during COVID-19. All the above green banking practices are provided by different banks to bring their services to the customers at remote places by identifying their needs. These practices helped customers a lot in the lockdown period without postponing some bank-related works, transactions, orders, purchases, and so on. Nowadays, people also aware of technology and have knowledge about going green. Because of few environmental issues, they got awareness. Prompt response from banks for any issues is one of the reasons to go for green banking practices during the lockdown. Banks are assimilating human and digital channels to deliver services to customers quicker and at low cost. Works can be done from remote areas. No crowd, social distance, paperless works, time-saving, lower cost, energy-saving, less traveling leads to less air pollution and last but not least saving environment all these are attained by green banking practices during COVID-19. By implementing green practices, Green banks contribution to saving nature and peoples' health is tremendous. Many people began to follow green banking practices, but during the pandemic, it became mandatory for all to act environmentally friendly and stay safe. Green banking practices are not only pivotal during COVID-19 but also act pivotal pertains to man-made environmental issues.

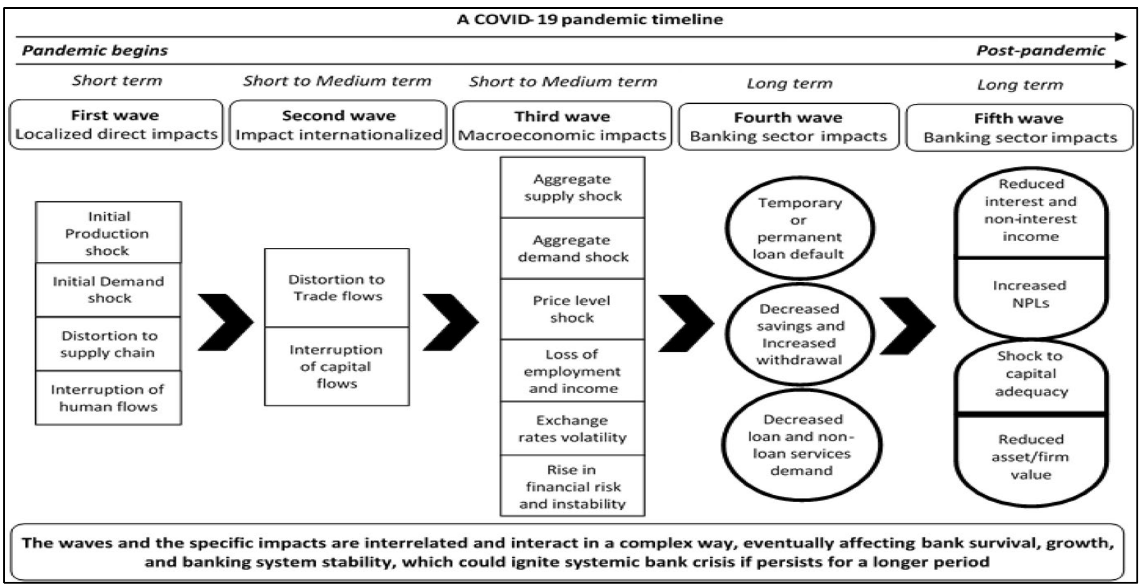
In these modern days, the global economy has started to focus much on economic progress, but at the same time, one of the mistreated environmental issues - Global warming, is largely ignored. It is a worldwide issue that calls for a comprehensive response. The effect of certain man-made gas emissions such as hydro-fluorocarbon, methane, carbon dioxide, and nitrous oxide is found accountable for distortion in climate changes. The problems of global warming should not be only limited to a debate but have to be dealt with going green. Thus, green banking is one of the ways of going green. The prevailing situation of the environment has run to a call by society for taking accountability to defense the earth.

ABOUT COVID-19 AND LOCKDOWNS

COVID-19 is a transmittable disease caused by a newly discovered Coronavirus. On March 24, 2020, the GOI ordered a nationwide lockdown for 21 days as a pre-emptive measure. As the end of the first lockdown period approached, state governments and other advisory committees suggested extending the state lockdowns to 1 May. On 14 April, PM extended the countrywide lockdown until 3 May, with a restricted relaxation after 20 April. On 1 May, the GOI prolonged the countrywide lockdown further by two weeks till 17 May. On 17 May, the lockdown was further prolonged till 31 May by the National Disaster Management Authority. Lockdown phases are Phase 1 (25 March – 14 April), Phase 2 (15 April – 3 May), Phase 3 (4–17 May), Phase 4 (18–31 May). On 30 May, it was declared that lockdown restrictions were to be lifted from then onwards, while the current lockdown would be further prolonged till 30 June for only the containment zones. Services would be restarted in a phased manner starting from 8 June. It was labeled as "Unlock 1.0". Modi later explained that the lockdown phase in the nation was finished and that 'unlock' had already been activated (Wikipedia, 2021).

The next phase of unlock, unlock 2.0, was declared for the period of 1 to 31 July, with more ease in restrictions. Unlock 3.0 was declared for August. Similarly, unlock 4.0 was announced for September and Unlock 5.0 for the month of October. In the same way, unlock 6.0 was publicized for the month of November, unlock 7.0 was publicized for the month of December, unlock 8.0 was declared for the month of January, and Unlock 9.0 was proclaimed for the month of February. Unlock 10.0 was declared for the month of March (Wikipedia, 2021).

Figure 1: COVID-19 Pandemic timeline

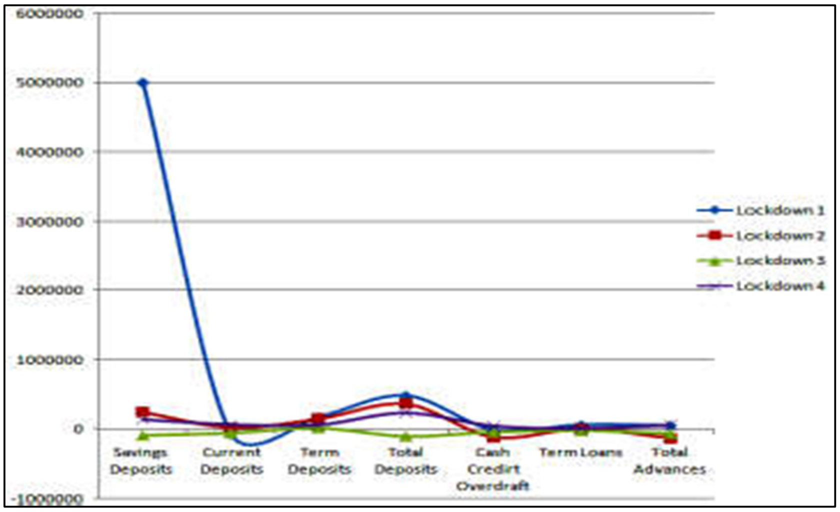


Source: (Barua & Barua, 2020)

BANKING SECTOR DURING COVID-19

1. The banking sector came to a standstill during COVID-19. Branch banking, especially credit, got affected.
2. Negative credit growth estimation for 2020-2021: retail credit growth in single digits, Agri loans to grow at around 3-4 percent, MSME loans to growth at around 7 percent, corporate credit growth to be in negative territory.
3. NPAs to grow to more than 12 percent of total advances: Moratorium on loans will increase NPAs, NPA resolution through NCLT has come to a halt, Recovery percent from NPAs would be much lower, Profitability of banks will suffer, Capital requirement.

Figure 2: Indian Banking Transactions During Lockdown Variations



Source: (Perwej, 2020)

IMPACT OF COVID-19 ON THE BANKING SECTOR

Positives:

- Interest rates to fall
- Push to digital banking
- Banks to get regulatory forbearance-postponement of NPAs
- Liquidity abundance
- Agri & MSMEs to get bank credit.

Negatives:

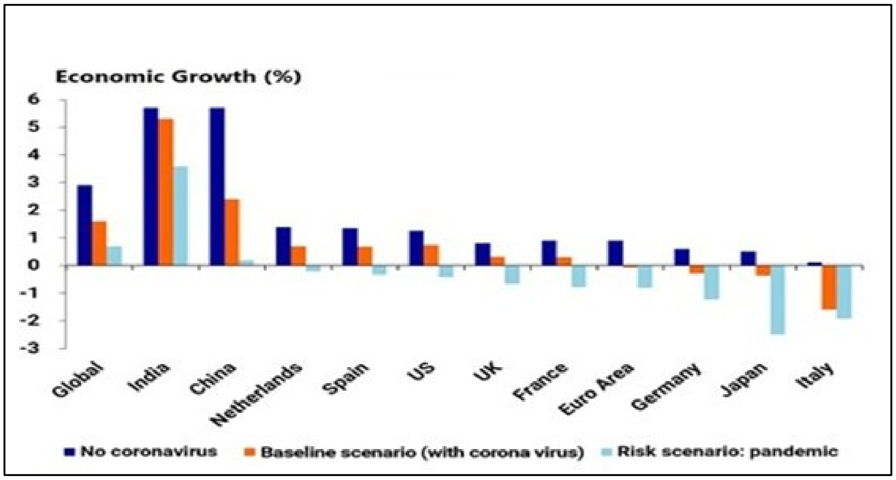
- Increase in NPAs
- Risk aversion in banking sector-consequences
- Shortage of capital
- Efficiency suffers- soundness, efficiency, and profitability
- PSB amalgamations, though completed on paper-benefits will not be available soon
- Low demand for credit
- Loan recovery will be difficult - poor realization from NPAs (NCLT), DRTs are not working
- In the short run, the banking sector may not be able to meet the requirements of the economy.

Economic Impact

India had already been undergoing an extended economic slowdown. The GDP growth rate had dropped from 8.2% in January–March 2018 to 3.1% in January–March 2020 (Wikipedia, 2020).

In the first quarter of the financial year 2020-2021, this number went into negative. The GDP growth rate for April–June 2020 was -23.9%, which occurred to be the vilest ever in history. Vital parameters like manufacturing, construction, trade, hotel industry saw a decline and slipped into negative. Manufacturing growth at -39.3%, Mining growth at -23.3%, Construction growth at -50%, Trade & hotel industry growth at -47% (Wikipedia, 2021).

Figure 3: Global Economic Impact of COVID-19



Source: Bloomberg Quint

(Dayal, 2021) reports that the RBI report presented the recital of the banking sector during 2019-20 and 2020-2021 so far. The broad theme of this year's report is the impact of COVID-19 on the banking sector.

1. During 2019-20 and the first-half of 2020-21, scheduled commercial banks (SCBs) fused the gains attained after the turnaround in 2018-19.
2. SCBs' gross non-performing assets (GNPA) ratio deteriorated from 9.1 percent at end-March 2019 to 8.2 percent at end-March 2020 and additional to 7.5 percent at end-September 2020.
3. Capital to risk weighted assets (CRAR) ratio of SCBs reinforced from 14.3 percent at end-March 2019 to 14.7 percent at end-March 2020 and additional to 15.8 percent at end-September 2020, partly aided by recapitalisation of public sector banks and capital hovering from the market equally by public and private sector banks.
4. Net profits of SCBs twisted around in 2019-20 after losses in the preceding two years; in H1:2020-21, their financial performance was propped up by the moratorium, halt in asset sorting and ploughing back of dividends.
5. The Reserve Bank commenced an array of policy measures to alleviate the effects of COVID-19; its regulatory realm was strengthened by legislative amendments, giving it greater powers over co-operative banks, non-banking financial companies (NBFCs), and housing finance companies (HFCs); and it also commenced a series of initiatives to boost its supervisory framework.
6. The recovery process gained grip with the resolution of huge accounts through the Insolvency and Bankruptcy Code (IBC); the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI) channel also aided the process of recovery.

7. The balance sheet progress of Urban Co-operative Banks (UCBs) toned down in 2019-20 on lower deposit accretion and muted expansion in credit; while their asset quality worsened, increased provisioning caused in net losses.
8. The presentation of state co-operative banks enhanced, both in terms of cost-effectiveness and asset quality.
9. The combined balance sheet of NBFCs slowed in 2019-20 due to near motionless growth in loans and advances through some improvement became noticeable in H1:2020-21; not enduring a marginal worsening in asset quality, the NBFC sector remains robust with strong capital buffers.
10. The report also suggests some perspectives on the developing outlook for India’s financial area.

CONCLUSION

From this study, it appears clear that life will not be the same as before COVID. Pandemic made us focus on new solutions to acquainted problems, and some of the changes will be permanently entrenched. The focus of Banks is to take required measures to mend from the pandemic effect to fill the financial gap. Because the banking sector is one of the affected sectors, green banking practices can play a pivotal role in helping customers to stay at home and stay safe. Moreover, this study is a small attempt asking depositors' notice to go green and save nature by following green banking practices.

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